

Regulations of Connecticut State Agencies

20-281-1. Definitions

Terms, as used in these regulations, mean:

- (1) "Multi-Jurisdictional Permit Holder," means a firm holding a permit to practice public accountancy in Connecticut and holding a similar permit or authority to practice in one or more other jurisdiction;
- (2) "Permit Holder," means a sole proprietorship, partnership or corporation holding or required to hold a permit to practice pursuant to Conn. Gen. Stat. § 20-281;
- (3) "New Permit Holder," means a holder of a permit to practice which has not been previously registered in this state, including a permit holder required to obtain a permit to practice as a result of participation in a merger, consolidation, acquisition or other form of combination; but does not include a permit holder which has been previously registered and changes its name due to the addition, death, withdrawal, or retirement of a partner or shareholder, or changes its name due to a change in the legal form of its practice;
- (4) "Year of Review," means the calendar year during which a peer review is to be conducted;
- (5) "Year Under Review," means the calendar year prior to the year of review or the fiscal year prior to the review;
- (6) "Engagement review" means a peer review that evaluates whether there is a reasonable basis for expressing limited assurance that
 - (A) financial statements with which the individual or firm is associated conform in all material respects with professional standards; and
 - (B) reports and internal documentation of the work performed by the individual or firm conforms to professional standards.
- (7) "System Review" means a peer review evaluating whether there is reasonable assurance that:
 - (1) the system of quality control of the individual or firm being reviewed is designed and operated in such a manner as to meet professional standards;
 - (2) financial statements with which the licensee or firm is associated conform in all material respects with professional standards; and
 - (3) reports and internal documentation of the work performed by the licensee or firm conforms to professional standards.
- (8) "AICPA Facilitated Board Access" means a system provided and maintained by the American Institute Of Certified Public Accountants through which State Boards of Accountancy are provided secure access to peer review reports and report related documents stored in an electronic file.

20-281-2. Requirement for peer review - areas to be reviewed

- (a) Every permit holder, as a condition of renewal of its permit pursuant to C.G.S. § 20-281, must undergo peer review in accordance with these regulations to determine and report on the degree of compliance by permit holders with generally-accepted accounting principles, generally-accepted auditing standards, and other similarly recognized authoritative technical standards. The peer review will include the financial reporting areas of practice, including audit

engagements, review engagements, and compilation engagements of both historical and prospective financial information.

(b) It is the obligation of the permit holder to take all steps necessary to undergo peer review when scheduled and to provide notice of the completion, results, and acceptance of the report to the Board as required by these Regulations. Failure of the permit holder to receive any notice required or permitted by these Regulations shall not excuse a permit holder from its obligation to undergo peer review, and to provide notice of the completion, results, and acceptance of the report to the Board as required under these Regulations.

20-281-3. Scheduling of peer review

Each permit holder shall undergo peer review as scheduled by the entity selected by the Board to administer the peer review program in the State of Connecticut.

20-281-4. Rescheduling year of review

The permit holder may request that its peer review be rescheduled. The application shall be made to the entity selected by the Board to administer peer review in the State of Connecticut. The application shall be in writing and under oath and shall set forth the name and permit number of the permit holder, the presently-scheduled year of review, the proposed rescheduled year of review, the date of the last peer or equivalent review, a statement of basis upon which rescheduling is sought, and, if the request is based upon the fact that the permit holder will undergo a review in the future, the date when that review will be held. If the request is granted, the permit holder must notify the Board of the new schedule for peer review.

20-281-5. New permit holders

A new permit holder, as a condition of renewal of its permit, must undergo a peer review as required by the entity selected by the Board to administer peer review in the State of Connecticut.

20-281-6. Selection of peer reviewer

A permit holder scheduled for peer review shall engage a reviewer to conduct the peer review. Such reviewer shall conduct the peer review in accordance with section 20-281-8 and section 20-281-9 of these regulations. The peer reviewer shall meet the criteria set forth in section 20-281-7 of these regulations and shall conduct and record the peer review in accordance with standards which satisfies those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants.

20-281-7. Qualifications of peer reviewer

Peer reviewers must have the following minimum qualifications:

(1) knowledge of and experience with the type of engagements to be reviewed, including experience in supervision of the preparation of reports and financial statements in connection with such engagements;

- (2) independence of the permit holder under peer review;
- (3) no conflict of interest;
- (4) familiarity with all specialized services in the area of auditing and accounting provided by the permit holder subject to review;
- (5) familiarity with the procedures for conducting a peer review in accordance with the standards set forth in section 20-281-8 and section 20-281-9, and competence in performing such peer reviews;
- (6) have and maintain an active license in good standing as a certified public accountant in this state or any other United States state or jurisdiction recognized by the Board as substantially equivalent;
- (7) be currently active and have at least five years of recent experience in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the peer review program, as a partner of a firm, or as a manager or person with equivalent supervisory responsibilities;
- (8) be associated with only firms that have received a report with a peer review rating of pass for the most recent System or Engagement Review that was accepted timely and ordinarily within the last three years and six months;
- (9) possess current knowledge of professional standards applicable to the kind of practice to be reviewed, including quality control and peer review standards;
- (10) have provided the entity selected by the Board to administer peer review with information that accurately reflects the qualification of the reviewer and update that information on a timely basis.

20-281-8. Conduct of Review

Peer review shall be conducted as follows:

(a) System Reviews. Permit holders that perform any of the following services shall undergo a system review, as defined in these Regulations:

- (1) engagements governed by the Statements on Auditing Standards of the American Institute of Certified Public Accountants
- (2) engagements governed by the Government Auditing Standards issued by the United States Government Accountability Office;
- (3) examinations of prospective financial information pursuant to the Statements on Standards for Attestation Engagements of the American Institute of Certified Public Accountants or the government auditing standards issued by the United States Government Accountability Office;
- or (4) audits of entities not registered with the United State Securities and Exchange Commission that are performed under standards of the Public Company Accounting Oversight Board.

(b) Permit holders that are not required to undergo a system review that perform any of the following services shall undergo an engagement review, as defined in these Regulations

- (1) review of historical financial statements in accordance with the Statements and Standards for Accounting and Review Services of the AICPA;

- (2) compilation of historical financial statements with disclosures performed under the Statements and Standards for Accounting and Review Services of the AICPA;
- (3) compilation of historical financial statements that omit substantially all disclosures performed under the Statements and Standards for Accounting and Review Services of the AICPA; or
- (3) The reviewer shall select the engagements to be reviewed.
- (4) The peer review shall be limited to reports with a year end date within the year under review.
- (5) Peer review shall be performed in accordance with a comprehensive set of standards for such reviews which satisfies those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants.

20-281-9. Results of review

- (a) In the case of a permit holder required to undergo a system review, upon completion of the review, the reviewer shall issue a report which, at a minimum, shall consist of an opinion letter setting forth the scope of the peer review, including any limitations thereon; identifying the comprehensive set of standards under which the peer review was performed; stating an opinion on whether, during the year under review, the system of quality control for the accounting and auditing practice of the reviewed firm has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, which satisfy those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants, in all material respects.
- (b) In the case of a permit holder required to undergo an engagement review, upon completion of the peer review, the peer reviewer shall issue a report which, at minimum, consists of an opinion letter identifying the comprehensive set of standards under which the peer review was conducted; stating whether anything came to the peer reviewer's attention that caused the peer reviewer to believe that the engagements submitted for peer review were not performed and reported in conformity with applicable professional standards, which satisfy those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants, in all material respects
- (c) In the case of a permit holder required to undergo a system review, a report with a peer review rating of *pass* means that the reviewer concludes that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects and that the report contains no deficiencies, significant deficiencies or recommendations.
- (d) In the case of a permit required to undergo a system review, a peer review report rating of *pass with deficiencies* means that the reviewer concluded that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report.

(e) In the case of a permit holder required to undergo a system review, a peer review report rating of *fail* means that the reviewer has identified significant deficiencies and concluded that the firm's system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

(f) In the case of a permit holder required to undergo an engagement review, a peer review report rating of *pass* means that the reviewer concluded that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects and that the report contains no deficiencies, significant deficiencies or recommendations.

(g) In the case of a permit holder required to undergo an engagement review, a peer review report rating of *pass with deficiencies* means that the reviewer concluded that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects except for the deficiencies that are described in the report.

(h) In the case of a permit holder required to undergo an engagement review a peer review report rating of *fail* means that the reviewer concluded that, as a result of the deficiencies described in the report, the engagements submitted for review were not performed and/or reported on in conformity with applicable professional standards in all material respects.

(i) The permit holder shall provide notice of the completion and results, of the report to the Board within thirty (30) days after the receipt of that report.

20-281-10. Notification and Reporting of Results of Peer Review

(a) If the peer review report issued rates the permit holders review as pass, the permit holder shall provide notification that the permit holders report is available through the AICPA Facilitated Board Access System, and notification of the completion of the report, the results of the report, the acceptance of the report by an authorized oversight body, and the date of the permit holder's next scheduled peer review, within 30 days of the acceptance of the report.

(b) If the permit holder undergoing peer review has "opted out" of the AICPA Facilitated Board Access program, the permit holder shall submit a copy of the peer review report, even when the peer review rating is a pass, with the Board within 30 days of the receipt of such report.

(c) If the peer review report issued rates the permit holder's review as pass with deficiencies or fail, the permit holder shall file a copy of the peer review report with the Board within 30 days of the receipt of such report.

20-281-11. Review of multi-jurisdictional permit holder

(a) With respect to a multi-jurisdictional permit holder, the Board may accept a peer review based solely upon work conducted outside of this state as satisfying the requirement to undergo peer review under these Regulations, if:

- (1) the peer review is conducted during the year scheduled under Sec. 20-281-3 or Sec. 20-281-5, or rescheduled under Sec. 20-281-4; and
 - (2) the peer review is performed in accordance with requirements equivalent to those of this state under the general supervision of a State Board of Accountancy or other agency of government having the power to license accountants;
 - (3) the peer review studies, evaluates and reports on the financial reporting practice of the firm as a whole; and
 - (4) At the conclusion of the peer review, the peer reviewer issues a report equivalent to that required by section 20-281-9 of these Regulations.
- (b) A multi-jurisdictional permit holder not granted approval under subsection (a) of this section, shall undergo peer review pursuant to these Regulations which shall study, evaluate and report on the financial reporting practice of said multi-jurisdictional permit holder within this state.
- (c) All multi-jurisdictional permit holders shall submit notice of completion of peer review and issuance of reports to the Board as required by these Regulations.

20-281-12. Waiver

- (a) The Board, in its discretion, may grant a permit holder a waiver of the requirement of undergoing a peer review for any one of the following reasons:
- (1) (A) The permit holder does not engage in financial reporting areas of practice, including audits, compilations and reviews; and
 - (B) The permit holder does not intend to engage in any of said financial reporting areas of practice during the next year; and
 - (C) The permit holder agrees to notify the Board that it has begun to engage in financial report practice immediately upon its acceptance of a single audit engagement, or review engagement, or compilation engagement;
- (2) Health;
 - (3) Military service;
 - (4) The conduct of a peer review will create individual hardship;
 - (5) There exists other good cause, as the Board may determine.
- (b) Requests for waivers shall be in writing and under oath, and shall be upon forms which the Board shall provide for that purpose.
- (c) Requests for waivers shall be submitted with a permit holder's application for renewal of its permit to practice or as soon as practicable after the circumstances arise which are the basis for the request.
- (d) Any permit holder which has been granted a waiver pursuant to subsection (a) (1) of this section shall immediately notify the Board upon accepting a financial reporting engagement, including an audit engagement, a compilation engagement, or a review engagement. Such permit holder shall undergo peer review within three years of accepting the first such engagement.
- (e) Any permit holder which has been granted a waiver pursuant to subsections (a) (2) through (a) (5), inclusive, shall immediately notify the Board when the basis upon which such waiver was granted has ceased to exist. When the circumstances upon which such a waiver was granted

cease to exist, the Board may require the permit holder to undergo a peer review at such time as the Board deems appropriate.

(f) A waiver shall only be effective for the calendar year for which it has been granted.

(g) If the Board finds that a waiver was improperly obtained or that the circumstances upon which the waiver was granted no longer exist, it may revoke the waiver and order the permit holder to undergo a peer review at such time as the Board deems appropriate.

(h) A permit holder granted a waiver shall undergo a peer review during the next calendar year, unless a new waiver or rescheduling is granted pursuant to these Regulations.

(NEW) 20-281-13 Discipline or corrective action

Upon receipt by the Board of a peer review report, with a rating of pass with deficiencies or fail, the Board shall review such report to determine what, if any, discipline or corrective action is appropriate.

(a) Access to peer review files. In order to determine what, if any, further Board action is appropriate, the Board shall have access to the peer review files of the peer reviewer and of the entity responsible for peer review oversight for reviewed firms.

(1) The reviewed firm shall furnish to the Board upon request, within 30 days any and all documents provided to the reviewer and all documents provided to the entity selected by the Board to administer peer review in the State of Connecticut, including, but not limited to, check lists, statistics data entry sheets, questionnaires, reports, comment forms and feedback forms.

(2) The peer reviewer shall furnish to the Board upon request, within 30 days all documents concerning a Peer Review, including but not limited to check lists, statistics data entry sheets, questionnaires, reports, comment forms and feedback forms.

(b) Additional requirements. As a result of a report submitted to the Board pursuant to section 20-281-10(c) of these regulations, the Board may require a licensee or permit holder to:

(1) undergo peer review more frequently than once every 3 years; and

(2) complete additional continuing professional education courses; and

(3) submit a response to the report and provide and report on a schedule of corrective action

(c) Formal charges on findings of violations. If the peer review report reveals evidence that the licensee or permit holder has engaged in conduct that is prohibited under Section 20-279b, et seq., of the Connecticut General Statutes, the Board may file formal charges against the licensee or permit holder.

(d) Confidentiality. Peer review records are privileged and confidential, and are not subject to the Connecticut Freedom of Information Act. Peer review records are only admissible in evidence in a Board administrative proceeding in the event that the report becomes the subject of said action.